

MAINTENANCE LEVEL 2

M2-MG Lean Efficiency Savings Restoration

RECOMMENDATION SUMMARY TEXT

The Health Care Authority (HCA) requests restoration of assumed Lean efficiency savings of \$21,436,000 (\$10,602,000 GF-State) in the 2016 Supplemental. The HCA was unable to meet a portion of its assigned Lean savings since it was unable to simultaneously lower managed care rates while keeping them actuarially sound.

PACKAGE DESCRIPTION

In 2014, Legislature mandated that state agencies achieve a \$40 million in GF-State savings (Engrossed Substitute Senate Bill 6002, Sec 707). The HCA was assigned \$11.5 million of this \$40 million reduction target. To reach this reduction, HCA reduced costs in the following medical services:

- Dental fluoride/sealants and Orthodontia - \$4.2 Million;
- Eliminate duplicate payments to Federally Qualified Health Centers/Rural Health Centers for labor and delivery services - \$2.0 Million

The remainder of the GF-State reduction balance – \$5.3 million – was to be achieved through the reductions of managed care rates. The HCA was unable to lower those rates once they were finalized since doing so would mean that the rates would no longer be actuarially sound.

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FISCAL DETAILS/OBJECTS OF EXPENDITURE

	FY 2016	FY 2017	Total
1. Operating Expenditures:			
Fund 001-1 GF-State	\$ 5,301,000	\$ 5,301,000	\$ 10,602,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 5,417,000	\$ 5,417,000	\$ 10,834,000
Total	\$ 10,718,000	\$ 10,718,000	\$ 21,436,000
	FY 2016	FY 2017	Total
2. Staffing:			
FTE Total	-	-	-

	FY 2016	FY 2017	Total
3. Objects of Expenditure:			
A - Salaries And Wages	\$ -	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ -	\$ -	\$ -
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ 10,718,000	\$ 10,718,000	\$ 21,436,000
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ 10,718,000	\$ 10,718,000	\$ 21,436,000
	FY 2016	FY 2017	Total
4. Revenue:			
Fund 001-C GF-Federal Medicaid Title XIX	\$ 5,417,000	\$ 5,417,000	\$ 10,834,000
Total	\$ 5,417,000	\$ 5,417,000	\$ 10,834,000

NARRATIVE JUSTIFICATION

WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?

This proposal restores unachievable savings from prior legislation (Engrossed Substitute Senate Bill 6002, Sec 707) in order to balance the HCA budget.

PERFORMANCE MEASURE DETAIL

Activity Inventory

H010 HCA Apple Health

IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?

This request ensures that the Authority is adequately funded to achieve its mission to create a healthier Washington.

DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?

This request supports Governor Inslee's Results Washington Goal 4: Healthy and Safe Communities.

WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?

It is imperative that the unachievable savings are restored in order to balance the HCA Medicaid budget.

WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?

None

WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?

Without this requested funding, the Authority is at risk of overspending its appropriation as it is unable to achieve the assumed Lean efficiency savings.

WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?

None

WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?

None

EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS

REVENUE CALCULATIONS AND ASSUMPTIONS:

All federal revenue assumed in this request is derived from the “Step 30: Lean – MC” step that lowered the February 2015 Medical Assistance forecast. The federal revenue figures in this request will need to be updated to reflect the same reduction step in the upcoming October 2015 forecast.

EXPENDITURE CALCULATIONS AND ASSUMPTIONS:

The expenditure figures represented in this request are derived from the “Step 30: Lean – MC” step that lowered the February 2015 Medical Assistance forecast. The expenditure figures in this request will need to be updated to reflect the same reduction step in the upcoming October 2015 forecast.

DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:

All funding in this request are ongoing.

BUDGET IMPACTS IN FUTURE BIENNIA:

All funding in this request will be needed in future biennia.

